

The Implementation of Charity in Islam, Tax, CSR, and Business Usefulness of Small-Micro and Medium Enterprises: A Qualitative Approach

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This research aims to find out how the implementation of charity in Islam, CSR, and business usefulness conducted by Small - Micro and Medium Enterprises (UMKM). This research uses qualitative methods, conducted on 265 UMKMs as the samples. The findings showed that charity in Islam and business usefulness has been done by UMKM properly and it has positive role. Meanwhile, tax and CSR still had limited implementation levels, plus the usefulness remained the same and had not been considered for the good of the surrounding environment.

Key words: *Charity in Islam, Tax, CSR, and Business Usefulness.*

Background

During Indonesia's monetary crisis in 1998 and the global economy crisis, small - micro and medium enterprises could survive more readily than great companies (Abraham, 2018; and Hamid, 2009). This was possible because generally small - micro and medium enterprises did not rely on greater capital or loans from overseas, or use foreign currency which had the most influential potency to suffer a crisis.

Micro- small and medium enterprises (SMME) are businesses which could move country economy because by implementing micro- small and medium enterprises, the economy would

run properly. In regulation number 20 Year 2008, regulating UMKM, categorises the business into three possibilities: micro, small, and medium.

According to rule number 20 Year 2008, all those business are classified based on assets and turnover of each business. The classification can be seen in Table 1 as follow:

Table 1. Classification of Micro, Small and Medium Enterprises

Business scale	Criterion scale	
	Net worth/assets (included land and building)	Sale results/turnovers
Micro	Maximum Rp. 50 million	Maximum Rp. 300 million
Small	>Rp. 50 million - Rp. 500 million	>Rp. 300 million - Rp. 2.5 billion
>Rp.	>Rp. 500 million - Rp. 10 billion	> 2.5 million - Rp. 50 billion

Processed from various sources, 2019.

Micro - small and medium enterprises have important and strategic roles in developing national economy. In 2018, the actors of UMKM in Indonesia were predicted to reach 58.97 million (BPS, 2018). Most of them had used market place platforms or social media to promote their good or services.

The AEC (Asian Economy Community), which was started in the beginning of 2016, demands the UMKM actors compete with other businessmen from ASEAN countries. Therefore, full support of the government, large scale business people, and society is needed to increase UMKM's growth, to keep it from bankruptcy or digression.

The government provides accessibility for UMKM people to develop their businesses, starting by providing loans with very low interest, permission accessibility, and accessibility to additional capital. According to Rule Number 36 Year 2008 regarding income tax each individual, individual with unshared inheritance, permanent institution and business charged by income tax. When an individual lists their institution or business at a tax service office (KPP), then it will obtain certificate of registration (SKT).

To develop their business, the UMKM business people apply the same beliefs as their religions. There is a proverb *Take and Give* in which what an individual gives will return to them. According to Islam this is known as charity.

Charity is a word taken from Arabic language (Shadaqoh). It means to give something from a Muslim to other people with purpose to get His merit. This gift can take the form of goods, services, or something related to human activities to other people. It is based on several hands from Rasullullah SAW, the prophet, stating that a pure smile is also part of charity.

Charity is also part of a pious deed as commanded by Allah SWT. Charity is assigned a very valuable deed from Allah SWT. Sometimes, the reward or deed will be exactly the same or more than the charity given to other people. However, there are many cases of charities which are rewarded in the form of deeds by Allah SWT.

Dealing with the business world, many people believe by giving charity will allow them to get rewarded, such as running a business smoothly and obtaining gifted fortunes.

In the business world, business people have the responsibility to pay tax. It is a social responsibility toward the surrounding environment around the business place. This responsibility is called *Corporate Social Responsibility (CSR)*. It is a concept and action completed by companies as an effort toward the social environment where the company is located, such as conducting an activity to improve society's wellbeing, preserve the environment, build public facility, provide scholarship to the poor, and provide financial support for better a life in general and surrounding people specifically.

By doing CSR, a company will be appreciated by the surrounding citizen since the company shows it cares about the surrounding environment and its people. By conducting such effort in surrounding environment, then it will bring various usefulness indirectly to the surrounding citizen whom need goods and services of the company.

Those usefulness's are company's usefulness, other people's usefulness, and the country's usefulness. Thus, developing a business in a place will facilitate the surrounding community to get their needs met. This research aims to analyse Micro - small and medium enterprises about tax behaviour, charity in Islam, CSR, and the business usefulness.

Research Problem

Based on the background, the researcher seeks to discover:

“How is tax behaviour, charity behaviour in Islam, CSR, and business usefulness done by Small - micro and moderate enterprises”?

Literature Review

1. Small, micro, and medium enterprises (UMKM/SMM).

This sector is an important sector in creating fields of work. UMKM/SMM is a growing effort in Indonesia. UMKM development in Indonesia could support a country's economy. Therefore, there is a need for sufficient SMM business management.

Based on Rule Number 20, Year 2008, Chapter 1, Small - Micro and Medium Enterprises (SMME) is explained in three categories: (A) Micro business is a productive business of individual or individual institution which meet criteria of Micro business as regulated in the rules; (B) Small business is a productive economy developed by an individual or institution whom and which are not branch of a company or not a branch of the owned, dominated, and becoming part of an owned company both directly or indirectly from Medium or Larger business which meet the criteria of Small business as regulated by the rules; (c) Medium business is productive in the economy, developed individually or institutionally which is not a branch of the owned, dominated, and becoming part of small and large companies both directly and indirectly with net wealth or sale annually as regulated by the rule.

2. Charity

Charity is taken from word *Sadaqa*, meaning “right”. If an individual likes giving charity, it could be defined as an individual whose correct faith is acknowledgment. According to sharia terminology, charity is a gift of partial fortune, or income, or earning to a certain interest as commanded by religion.

According to Nurhayati and Wasilah (2009), charity is any gift/activity done only with the purpose to get deed from Allah SWT. Charity has wider dimensions than *infaq* since charity has three dimensions:

a. Charity is a gift to mendicants and the poor whom need it, without expecting *reward* (*azzuhaili*). Charity is a *sunnah*.

b. Charity could take form as *zakah* because in several Al-Qur'an text and As Sunnah, it is written by charity but it actually refers to *zakah*.

“*Zakah expenditure are only for the poor and for the needy and for those employed to collect [zakah] . . .*” (QS.9:60). In the verse, *zakah* is expressed by “*ash shadaqaat*”

c. *Shadaqoh* or alms is something fixed correct (in term of sharia). This definition provides a wider definition of alms. It is in line with Prophet Muhammad SAW’s hadst, “*each good deed is sadaqah*” (HT. Muslim).

Charity is also a gift shared voluntarily to anyone, without considering any *nisab* and any regulation of rigid time to share (Sanusi, 2009: 209). Charity is something to give with purpose to get closer to Allah SWT.

Charity can be done anytime, anywhere, by anyone, and for anyone. Therefore, charity could be realised as anything both physically or materials, not only just wealth but also non-material. According to Sanusi (2009), charity is grouped into material and non-material charities (potency charity).

3. Tax

Tax is a social contribution to a country (forced), owed by tax payers based on the regulation without any return achievement which could be directly appointed and which is used to pay public expenditure correlated to country's obligation to promote governance (Loda, Made, & Dianawati, 2016). From this explanation, it could be concluded that tax is a mandatory fee from society to the country. It is forcing in nature and the reward could not be experienced directly. Based on the explanation, tax has several functions: budgetary, regulatory, stability, and income redistribution functions.

4. Corporate Social Responsibility (CSR)

CSR is generally promoting business ethically for the sake of major society's interest. According to Mardikanto (2014), CSR is a concept in which a company integrates its social and environmental awareness into business operation and its interaction to stakeholders voluntarily. It leads to sustainable business success. It requires a business person to run their business with purpose, to not only gain profit but also to be aware and care for the surrounding environment and society.

CSR generally functions as a realisation of company's responsibility toward many involved parties or those affected both directly and indirectly due to the company's activity. CSR is a partnership solution to empower UMKM competitive powers. Thus, by having strong partnership will motivate stronger UMKM (Soegiastuti, 2016).

Elkington (1998) states *Corporate Social Responsibility* is grouped into three basic principle components, known as *Triple Bottom Lines (3P): Profit, People, and Planet*. By having this concept, it provides understanding that a good company is not merely after profit and is also aware of the planet's sustainability and people's prosperity and wellbeing.

5. Business Usefulness

a. Business product usefulness

Product is anything offered by producers to be considered, asked, sought, purchased, or consumed by market as need fulfilment of concerning market demands. Kotler (2008) describes product as having a complex nature which is palpable - including its packaging, colour, price, shows the company's achievement, and has been accepted by buyers to satisfy their needs and demands. Limitations of a product is something to satisfy customers' needs and demands. Product is an object, service, action, person, place, organisation, and notion in which a product will have more value for the customers if it has superiority than other products of the same type. Product or produced service by SMME will absolutely have both direct and indirect benefits, especially to fulfil society's needs.

b. Business Usefulness for Society

Typically, the formation of a business comes from an individual, individuals, or social organisation's ideas. Although micro and small business have small scale scope, their existence in the middle of society contributes greatly to society. It provides many job vacancies. It could improve the society's prosperity, helps their business, develops surrounding prosperity, and builds economy.

c. Business Usefulness for Environment

The business run by SMME is expected to have usefulness for society, to avoid any negative and damaging impacts to environment, and to avoid any discomfort experienced by surrounding society.

Research methods

This study uses a qualitative method approach with observation, as well as direct interviews.

Discussion

1. SMME

SMEE or UMKM were taken and consisted of 265 esrespondents. The major business was micro business with income less than Rp 300.000.000. Here is the tabulation of income based respondent classifications.

Table 2: Income based respondent classifications.

Micro	189
Small	65
>Rp.	11

Source: Processed data, 2019

Based on the types of business, the major SMME is a franchise/retail shop, cafeteria, and home industry. Here is the tabulation of income based respondent classifications.

Table 3: Income based respondent classifications.

Business Types	Total
Trading	125
Manufacture	35
Service	105
Total	265

Source: processed data, 2019

2. The survey result data description
 - a. Tax behaviour result data

Table 4: Tax payment based respondent classification

Tax participation	Total
Tax paid	68
Unpaid tax	197
Total	265

Source: Processed data, 2019

Diagram 1. Tax participation diagram

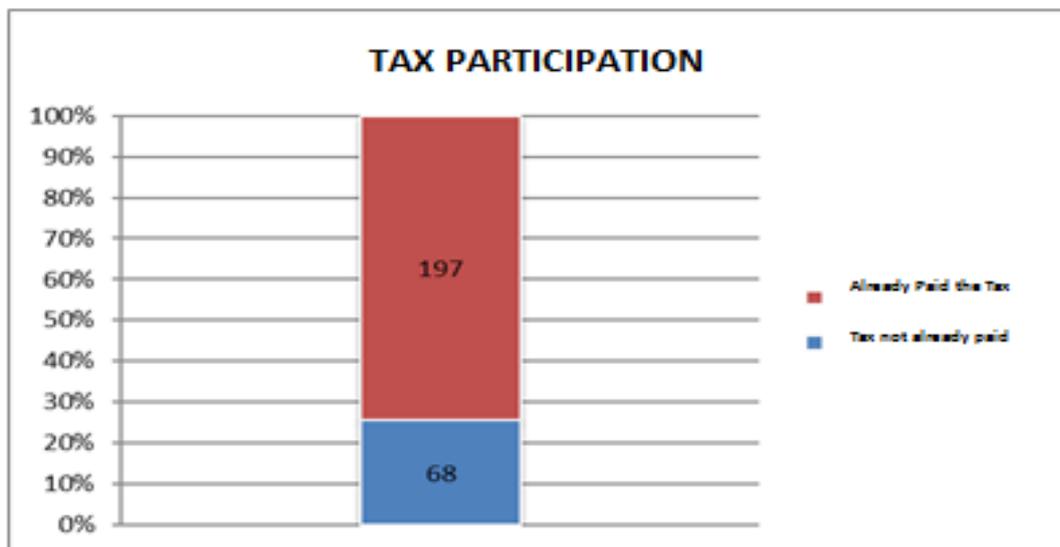


Table 4 and Diagram 1 show that a tax payment had not been made by all SMME samples. From 265 SMMEs, only 26% had paid tax. Meanwhile, 74% had not. According to observation and interview results, the underlying factors of the late tax payment on table 5 were:

Table 5: Hindering Factors of the SMMEs to Tax Payment

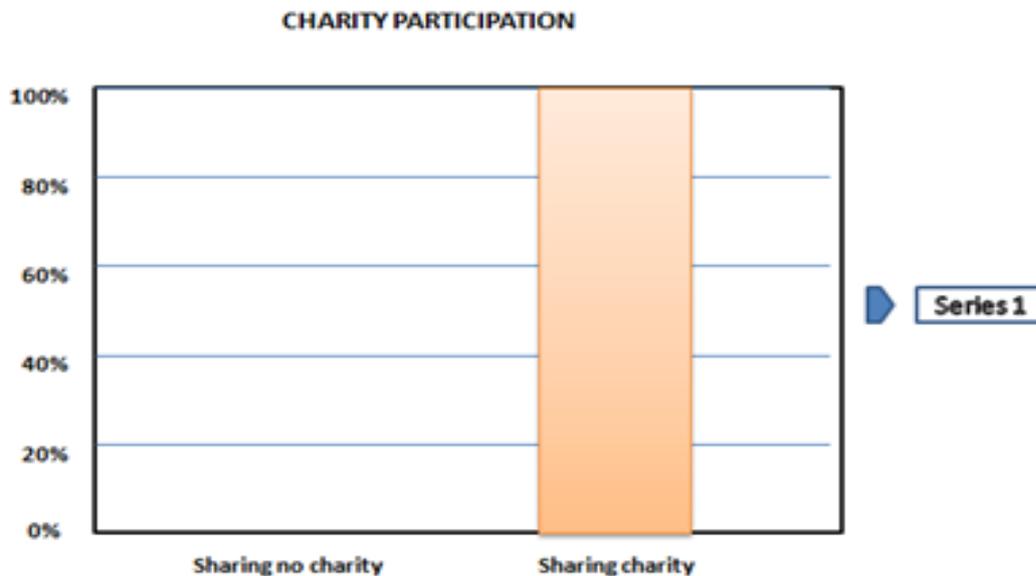
Answers	Responses
Having no/Inactive Tax ID Number	148
Having Permit of Establishment	9
Unfixed/Minim Incomes	8
Having no time to compose financial report	5
Clearing a way for the business	45
Having no sufficient understanding of tax	16
Running online shop	5
Not being a tax payer	7
Others	22

Source: processed data, 2019

It could be concluded that the most influential was having no tax ID Number or the ID was inactive. The next factor was still clearing a way for the business. Then, having no sufficient understanding of tax became problematic for tax participation. Thus, it could be concluded that the most influential factors of tax payment were having no tax ID Number, still clearing a way for the business, and having no understanding of tax.

b. Charity Behaviours

Figure 2. Charity Participation Diagram, Processed 2019



The figure shows that all SMME samples gave to charity. According to observation and interview results, all charity behaviours of the respondents were in the form of charity, charity target, and charity intensity.

Table 6: Charity Target

No	Charity Target
1	The surrounding needy (siblings, friends, neighbours).
2	Beggars
3	Orphans
4	Poor
5	Elders
6	Widows
7	Worshipping Places (Mosques, Churches, Temples, and etc)
8	Social Institutions (Orphanages, Islamic boarding house)

Source: Processed data, 2019

It should be known that charity targets covered surrounding needy, beggars, orphans, poor, elders, widows, worshipping places, and social institutions.

Table 7: Charity Realisations

No	Charity Realisations
1	Money
2	Meals
3	Smiles
4	Clothes
5	Primary needs
6	Goods

Source: processed data, 2019

Based on the table, the charity realisations consist of 6 types: money, meals, smile, clothes, primary needs, and goods.

Table 8: Charity Intensity per Month

Intensity Interval/Monthly	Total	Percentage	Target	Remark
5x	122	46%	-Surrounding needy	There were several SMMEs spending their incomes to be collected first before being shared to social institution: orphanage and Islamic boarding houses. Thus, they did not do it regularly.
			-Homeless	
			-Orphans	
			-Poor	
			-Worshipping places	
			-Social institution	
5-10x	138	52%	-Surrounding needy	Spending their incomes to share directly or indirectly by certain intensity, once a week regularly or <5x per month.
			-Homeless	
			-Orphans	Sharing charity regularly once in a week to worshipping places, elders, and homeless.
			-Poor	
			-Elders	
			-Worshipping places	
			-Widows	
Intensity Interval/Monthly	Total	Percentage	Target	Remark
11-20x	5	2%	-Surrounding needy	The spending income, both directly and indirectly, was through high monthly intensity. It was 11 - 20x.
			-Homeless	
			-Orphans	
			-Poor	
			-Worshipping places	
			-Social Institution	
Total	140	100%		

Source: Processed data, 2019

In Surah Al Bawara 261, it is mentioned that by giving charity from an individuals wealth, will be multiply rewarded. From the verse, there is correlation to charity behaviours to the development of the business which is correlated to profit. It is said that frequent charity shares leads to increasing obtained profit from the business. Frequent charity intensity develops business well.

Riniyati and Munawaroh's (2016) showed that charity was an influential variable to influence business success significantly. Irfan (2009) stated that fostering a generous personality could be done by several ways, such as sharing charity. A generous individual, within their heart and action, will always want to help people without expecting any reward from anyone. They only gives it to Allah. A generous individual, in their heart, will be so touched by seeing other people's problems. By being aware of this, they also train their social awareness toward the needy. They try to understand what the poor feel and experience. Charity is a valuable alm when it is done sincerely. The reward of this behaviour is happiness in the coming days. By having sincerity to share something to the needy, Allah will protect those people. In society, such people are seen as respected people. Their lives are meaningful, tranquil, and happy.

Beside happiness in this world, a generous person will get a good place in the days later. Moreover if charity is provided for orphans and the poor. Rasullullah SAW says, "I and people helping orphans later in the heaven will be like these two fingers. (HR. Abu Dawud, At-Tirmidzi, dan Ahmad). From the interview with a SMMEs business person, he stated that charity could positively influence himself. It could clean his wealth and made him tranquil. It also smoothed his business. Charity could also clean wealth so it would be much more blessed. This means that wealth would be useful for his life both in this world or the days later. Such wealth blessing of an individual could provide tranquility for both the owner's mental happiness and their heart. Furthermore, the usefulness of the shared wealth would also provide multiple wealth (Irfan, 2009). From the explanation, it can be seen that subjects shared their wealth to charities to provide positive effects on their business developments.

3. The implementation of CSR into SMMEs

CSR is a concept and action undertaken by business people as responsibility realisation toward social and the local natural environment. This is to promote an activity to increase society's prosperity, preserve surrounding areas, provide educational scholarship to the poor, build public facility, and provide assistance in the form of financial support or primary needs for the sake of the local people's prosperities.

Table 9: CSR based respondent classifications.

CSR Behaviours	Total	Percentage
Having been conducting CSR	94	35%
Having not been conducting CSR	171	65%
Total	265	100%

Source: Processed data, 2019

Based on the table, CSR behaviours were undertaken by 265 SMMEs. Only 94 of them conducted CSR while 171 SMMEs did not do it. With another word, the percentage was only 35% of SMMEs conducting CSR. The other 65% had not been conducting CSR. It could be concluded that the CSR promotions were still low. It is in line with Wargianti's research (2018), which states that SMMEs still had low level of CSR implementation because of various hindrances and human resource limitations. Low CSR implementation of SMMEs was due to lack of innovation and communication by the companies (Bocquet, Bas, Mouthe, and Poussing, 2018; Ham & Kim, (2019).

SMMEs conducted various CSR, such as developing public facilities: park or road, village activity, scholarship, and financial donation. CSR classifications are grouped in detail as seen on Table 10.

Table 10: CSR Realisation based Respondent Classifications

CSR Realisations	Total	Percentage	Remark
Building public facilities	20	20.83%	Building road, park, and mosque
Village activities	30	31.25%	Community Service
Scholarship	26	27.08%	Poor children
Financial Donation	20	20.83%	Condolence
Total	96	100%	

Source: Processed data, 2019

Based on the table, it could be stated that the respondent classifications based on CSR with total 96 SMMEs which had implemented, 20 of them or 20.83%, built public facilities, such as park, road, and mosque. Then, 30% of them did community service, 26 of them or 27.08% provided scholarship for the poor, and 20 of them or 20.83% provided financial support for grieving people. It could be concluded that CSR realisation was dominated by village activities, such as community service 31.25%. It showed 31.25% or 30 SMMEs had promoted CSR programs. This is in line with Marnelly (2012), stating that CSR could be done through community service which was communicated among government, society, and academician.

4. Product Usefulness

The SMMEs' product usefulness in the society is positively influenced. All SMME people state that their products would be useful for wider society. Usefulness could be shown from interview results with several SMME people.

“From the interview with Mrs Endang, a SMME person from a manufacturing company, she stated that the usefulness of her products - breads, were for important events, social gatherings, and parties. It is in line with Munandar (2016), stating that SMME's products in his location could provide excellent contribution for surrounding society. In another interview, Mr Aldhy, a SMME's person concerned with a service revealed that his product was useful for males whom wanted to tidy up their hands to support their appearances”.

Darwanto, Raharjo & Hendra, (2018), state that SMME service product usefulness within creative industries could be experienced by society. Furthermore, the SMME people within the trading field, such as Mr Sumarja, argued that his business could support his society's needs through his franchise. Shops with excellent management could support product usefulness on SMME business (Hall & Sibanda, 2016).

Based on the interview results with the SMME people whom were in manufacturing, service, and trading it could be concluded that their SMME's usefulness had an important role in social life. Therefore, product usefulness could be a determinant of success and sustainability from the SMMEs.

Conclusion and Suggestions

Conclusion

Based on the theoretical, analysis, discussion review, it is concluded that tax behaviour by SMME people was not completed and they did not directly pay the tax to the country. There were several factors influencing SMME to pay the tax, such as having no tax ID number, having no certificate of registration, sale turnover, financial report time management, and understanding the level of SMME people about tax. According to Rule, KUP, Number 28 Year 2007, Article 1, Verse (1), tax is a mandatory constitution to the county which is loaned by an individual or institutional. It forces by nature and is based on the constitution, and is used for the sake of civilisation's prosperity. Furthermore, charity behaviours of SMMEs influenced the sustainability of the companies.

Charity behaviour positively and significantly influenced the development of businesses. Charity behaviours were factors which could be used as predictors in improving the business.

Higher charity intensity would lead to higher business development, along with sincerity. Internalisation of charity's meaning in Al-Baqarah, verse 261, states that it could double an individual's wealth, since it requires the individual to manage themselves, to prioritise important scale to be achieved by him, and to always try to make locals prosperous. Individuals with business development could develop their family economies prosperously. At least, they could support their living needs and their charity behaviours played a role as spiritual, supplementary, and complementary to improve and develop businesses. Excellent business development cannot be separated from CSR done by SMMEs.

CSR is a concept and action done by business people as responsibility realisation toward social and natural environments locally. From 265 samples, only 94 SMMEs promoted CSR programs. It showed that CSR implementation of SMMEs was still low. The realisation of CSR's was building public facilities, such as roads, parks, and mosques; village activities; educational scholarship; and financial donation.

The SMMEs' product usefulness influenced society positively. The SMME people within manufacturing, service, and trading fields stated that their products were useful for wider society. Product usefulness played a great role in social life. Therefore, the product usefulness could be a determinant of success and sustainability from the SMMEs.

Suggestions

Based on the conclusion, it is suggested:

1. For SMME people

The SMME people should pay the tax and habitualise themselves to give to charity in their daily lives, to promote CSR programs, to keep qualified product so it would benefit their societies.

2. For Tax Office

For the tax officers, they could provide socialisation dealing with SMME people so they wanted to pay tax to the country.

3. Charity Institution

For charity institutions, they should be able to provide facilities and to facilitate and deliver SMME people's charity so it would be appropriately given to expected targets.

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